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17 September 1952

US OFFICIALS ONLY

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Copy No. 57

CURRENT INTELLIGENCE BULLETIN

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DOCUMENT NO. 50  
NO CHANGE IN CLASS. A  
☐ DECLASSIFIED  
CLASS. CHANGED TO: TS S C  
NEXT REVIEW DATE: 2009  
AUTH: HR 70-2  
DATE: 19 Dec 79 REVIEWER:

Office of Current Intelligence

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CENTRAL INTELLIGENCE AGENCY

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2. Comment on first announcement of results of Sino-Soviet talks::

The first announcement of results of the past month's Sino-Soviet talks in Moscow reveals agreement on control of the Chinese Changchun Railway and the stationing of Soviet troops in Port Arthur, the only two items in the 1950 treaty which require action during 1952. The Soviet Union will still exercise considerable control of the railway because of China's continued dependence on the USSR for advisory and technical aid, rolling stock, and other railroad materials. There are an estimated 60,000 Soviet ground troops, plus naval and air forces, in the Port Arthur area.

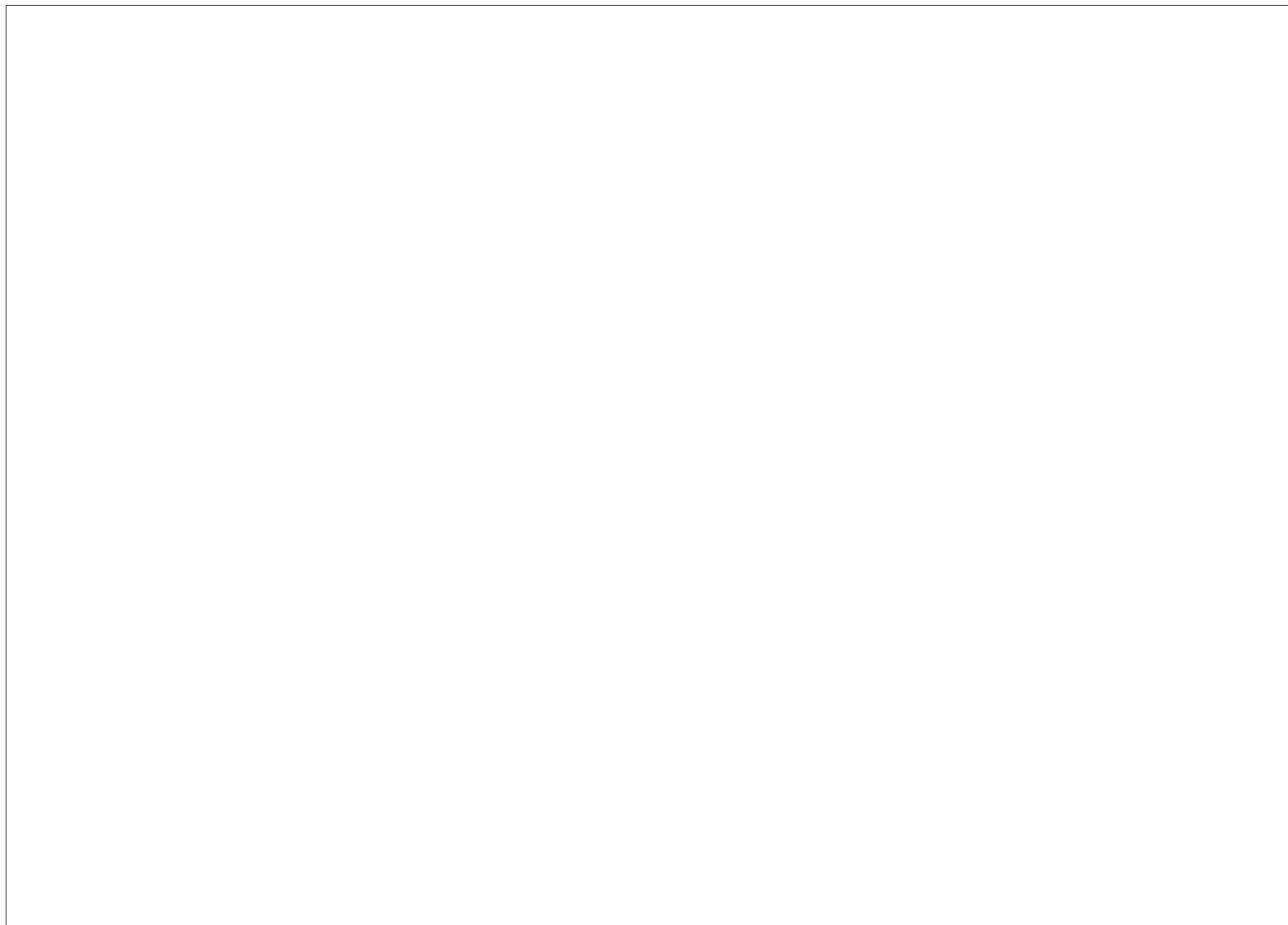
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The communique implies, in referring to Sino-Soviet discussion of "important economic and political questions," that, as in 1950, subsequent announcements will reveal several specific agreements on Soviet economic aid and joint ventures. The substance of military agreements will presumably not be revealed.

A tripartite political and economic agreement with Outer Mongolia, which was represented at the talks, may also be forthcoming.

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**EASTERN EUROPE**


**5. Comment on new approach by Tito to Italo-Yugoslav relations:**

Although Yugoslavia's reply to the American-British-French proposal for Italo-Yugoslav negotiations on Trieste was "completely negative," Marshal Tito now is publicly stressing the need for Italo-Yugoslav cooperation on "safeguarding against aggression" and "economic exchanges." The present status of the Free Territory is more to the advantage of Yugoslavia than the probable results of a negotiated settlement. In a speech in Slovenia, Tito stated that the Trieste problem should be put aside for the time being and agreement worked out on the other problems.

This is the first time that the Yugoslav regime has appeared willing to cooperate in military matters with Italy. It is likely, however, that the Italians will not be receptive to this approach.

**WESTERN EUROPE**

**6. Gaullists more tractable on Schuman's Saar policy:**

 A French Foreign Ministry official has informed the American Embassy that Foreign Minister Schuman is now optimistic that a Saar settlement may be possible prior to parliamentary debates on the EDC treaty. The French expect to press ahead for an early settlement once economic negotiations get under way.

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The French official added that the leading Gaullist spokesman in the Council of the Republic, as well as other opposition Deputies and Senators, are now satisfied with Schuman's policy on the Saar and have agreed not to hinder him in these negotiations.

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**Comment: Schuman recently revealed that he does not envisage French ratification of the EDC treaty this year.**

**In the past the Gaullists have consistently attacked Schuman. This indication of a more flexible Gaullist foreign policy bears out another recent report that they are less opposed to joining a coalition government.**